



## Budgeting for Indiana Libraries

Department of Local Government Finance

Dan Jones, Assistant Director Budget Division  
June, 2010

6/1/2010

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1

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## Agenda

- Glossary of Terms and Funds
- 2010 Review
- Budget Calendar
- Preparing for 2011 Budget
- Issues and Changes for 2011
- Review of Forms
- Circuit Breaker
- Various Other Issues

6/1/2010

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2

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## Glossary

- Appropriations- Legal authority to spend and obligate fund balances
- Budget-a financial plan including both revenues and expense for a specific period of time/
- Controlled Levy- Property tax levies which are charged against the Maximum permissible levy
- Excessive Levy- A request for a property tax levy in addition to the maximum levy
- Exempt Levy- Property taxes which are outside of the levy controls, such as Debt Service Funds
- Fund- A separate set of accounts established for a specific purpose or activity

6/1/2010

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3

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## Glossary

- Levy excess- Property taxes received in excess of the property tax levy certified by the DLGF
- Maximum Permissible Levy- The maximum amount of property taxes that may be charged in a budget year as determined by statute
- Taxing Unit-A municipal unit with taxing authority, such as a city, town, township, library or school (the tax rate charged by the unit is a component of the total tax rate of the district)
- Taxing District-A geographic area with the same combination of taxing units.

6/1/2010

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4

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## Review of Library Funds

- Operating Fund- An account used for all revenues and expenditures not required to be accounted for in a separate fund (also general fund)
- Capital Projects Fund- A fund which may be established to levy property taxes to be used for:
  - 1) A facility used or to be used by the library district
  - 2) The purchase, lease or repair of equipment to be used by the library district
  - 3) The purchase, lease, upgrade, maintenance or repair of computer hardware or software

6/1/2010

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5

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## Review of Library Funds

- Library Improvement Reserve Fund (LIRF)- A fund specific to libraries similar to a rainy day fund. This fund has no dedicated revenue source but is comprised of transferred surpluses from other funds. The purpose of the fund is to anticipate future capital expenditures such as the purchase of land, the purchase and construction of buildings or structures, the construction of additions or improvements to existing structures. Appropriations must be budgeted and approved by DLGF. See IC 36-12-3-11.

6/1/2010

June 2010 Indiana Department of Local Government Finance

6

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## Review of Library Funds

- Construction Fund- All money received from sale of bonds or other forms of indebtedness (leases) for the construction or improvements of library buildings is deposited into this fund. The money shall be appropriated and spent only for the purpose that the debt was issued (as stated in the Official Statement, or approved by the fiscal body in the bond ordinance or resolution)
- See IC 36-12-3-11

6/1/2010

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7

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## Review of Library Funds

- Bond and Interest Redemption Fund (BIRF)- AKA Debt Service Funds. These are derived from taxes levied for the purpose of retiring bonds or other indebtedness including interest. The fund can be used for **no other purpose** other than repayment of indebtedness. IC 36-12-3-11
- Grants and Gifts Funds-May be established to account for donations and grants and may be expended without appropriation with the conditions and purposes specified by the donor. IC 36-12-3-11

6/1/2010

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8

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## Review of Library Funds

- Rainy Day Funds- Subject to the same appropriation process as other tax supported funds. The funding source and purpose of the fund must be specified in the establishing ordinance or resolution. Transfers to the fund may not exceed 10% of the total annual budget. IC 36-1-8-5.1.

6/1/2010

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9

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## 2010 Review

- DLGF has certified 87 counties Budget Orders for 2010 as of May 24
- Average time to process a Budget Order after receipt of Net AV's is 36 days (including 10 days for the 1782 Notice)
- Additional appropriation requests are being processed as they are received
- **85 counties will have on-time tax billing and distributions for 2010**

6/1/2010

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10

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## 2010 Update

- Few legislative changes for 2010-2011
- Last date for 2<sup>nd</sup> advertisement of public hearing for budgets remains at Sept. 9<sup>th</sup>
- Library Budget Manual is updated and online at <http://www.in.gov/dlgf/4843.htm>
- Revised 2010-2011 Budget Calendar is online at [http://www.in.gov/dlgf/files/100520-Jones\\_Memo-2010\\_budget\\_calendar\\_Revised.pdf](http://www.in.gov/dlgf/files/100520-Jones_Memo-2010_budget_calendar_Revised.pdf)
- Library Capital Projects MEMO is online at [www.in.gov/dlgf](http://www.in.gov/dlgf)

6/1/2010

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11

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## Budget Calendar (Key Dates for Libraries)

- May 14 Last day for library boards to adopt CPF plan, hold hearing and send to fiscal body
- June 30 Beginning of budget cycle
- Aug 2 Last day for library fiscal body to adopt CPF
- Sept 2 Last day for 1<sup>st</sup> publication of budget ad
- Sept 9 Last day for 2<sup>nd</sup> publication of budget ad
- Sept 17 Last day to submit budget to county fiscal body for non-binding review

6/1/2010

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12

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## Budget Calendar

### (Key Dates for Libraries)

- Sept 20 Last day to submit CPF to DLGF for inclusion in next year's budget
- Oct 1 Last day for units to submit budgets to fiscal body for binding review
- Oct 15 Last day for county fiscal body to complete non-binding review
- Oct 19 Last day to file excessive levy appeals
- Oct 22 Last day for public hearing on 2011 budget
- Nov 1 Last day to adopt 2011 budget

6/1/2010
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13

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## Notes About Calendar

- If fiscal body fails to adopt a budget, provisions of IC 36-12-3-12(b) are in effect (previous years budget and levy continue)
- There must be 10 days between the first budget advertisement and the public hearing
- There must be at least 10 days between the budget hearing date and the adoption meeting date
- Budgets are to be filed with county auditor 2 days after adoption meeting (IC 6-1.1-17-5(d))
- DLGF budget workshops will be in July and Aug

6/1/2010
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14

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## Workshops

- Items to take to workshops:
  - Auditor's Certificate (if available)
  - Documentation of cash and investment balances as of June 30- 2010
  - All budget forms ([www.in.gov/dlgtf](http://www.in.gov/dlgtf))
  - Excessive levy appeal forms (if applicable)
  - Proposed dates for public hearings and adoption date (remember to plan for county council review. ***This is critical since the budget schedule will revolve around their meeting date***)
  - Copies of additional appropriations during 2010
  - List of encumbrances carried over from previous year

6/1/2010
June 2010 Indiana Department of Local Government Finance
15

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## Workshops (Continued)

- Items to Take:
  - Proof of total expenditures as of June 30 (ledger or financial report)
  - Debt service worksheets and amortization schedules
  - Information concerning any temporary loans
  - Copies of Form 22's "Certificate of Tax Distribution"
  - Information regarding any new funds, cumulative capital funds, debt funds, etc.
  - Information concerning annexations
  - Any other relevant information, including a contact person, name, address, fax, phone, e-mail, etc.

6/1/2010

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16

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## Budget Forms

- Field representative can help prepare forms at the budget workshops
- Minor changes to 2011 Budget Forms
  - Change to column heading on form 4-b (deleted reference to Control Board)
  - Added Line 13b on Form 4-b for new LOIT Operating Levy Freeze
- Budget Forms are online at [www.in.gov/dlgf](http://www.in.gov/dlgf)

6/1/2010

June 2010 Indiana Department of Local  
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17

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## Library Budget Forms

- Budget Form 1
  - Prepared for each fund of the municipal unit
  - Used to estimate the necessary expenditures for the ensuing year
  - Divided into four (4) classifications:
    - Personal Services
    - Supplies
    - Other Services and Charges
    - Capital
  - Provides line item details of the expense by fund

6/1/2010

June 2010 Indiana Department of Local  
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18

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## Library Budget Forms

## - Budget Form 2 – Estimated Revenues

- Accounts for revenues from all sources other than property taxes
- Accounts for revenues over an eighteen (18) month period
- A separate estimate of miscellaneous revenues must be prepared for each fund

6/1/2010

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19



## Budget Form 2

[illegible]

6/1/2010

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20



## Budget Form 3

- Notice to Taxpayers of Budget Estimates and Tax Levies
- DLGF cannot approve a budget or levy in excess of the published amounts on Form 3
- This is the notice of the budget public hearing and the adoption hearing
- Published twice seven days apart with the first at least ten (10) days before the hearing and the second at least three (3) days before the hearing and before Sept 2 and 9<sup>th</sup>

6/1/2010

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Government Finance

21



## Budget Form 4

- Resolution of Appropriations

- Shows a summary of Form 1
- Indicates the fund
- Requires signature of the Board Members and how they voted

6/1/2010

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22



# Budget Form 4-b

- AKA “16-Line Statement”
- Covers the financial activity over 18 month cycle
- Includes the property tax levy and tax rate
- Column 1 is the budget as advertised
- Column 2 is the budget as adopted by the fiscal body
- Column 3 is the budget as adjusted by Tax Adjustment Board (if applicable)
- Column 4 is the DLGF certified budget

6/1/2010

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Government Finance

23



Budget Form 4-b


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6/1/2010

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24





## Budget Form 4-b

- Line 1 – Total budget for ensuing year (from Form 1 or Form 4)
- Line 2 – The balance of appropriations left to be spent from July 1 through Dec 31 of the current year (approved budget + additional appropriations + PY encumbrances – actual expense)
- Line 3 – Additional appropriations anticipated in second half of current year
- Line 4a – Temporary loans borrowed prior to June 30<sup>th</sup> to be repaid by 12/31/2010

6/1/2010

June 2010 Indiana Department of Local Government Finance

25

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## Budget Form 4-b

- Line 4b – Temporary loans borrowed prior to June 30<sup>th</sup> to be repaid after 12/31/2010 and before 6/30/2011 (requires ordinance approved by fiscal body and this is reportable to SBoA and DLGF)
- Line 5- Total of lines 1 through 4b (Total uses for 18 months)
- Line 6 – Cash and investment balances as of June 30, 2010
- Line 7 – Property taxes to be received in second half of 2010 (Auditor's Certificate)

6/1/2010

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26

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## Budget Form 4-b

- Line 8a – Revenues to be collected from July 1 through Dec. 31 of the current year (from Form 2 column A)
- Line 8b – Revenues to be collected in ensuing year (from Form 2 column B) – Be conservative.
- Line 9 – Total of lines 6, 7, 8A and 8B. (Total sources of funds except property taxes for ensuing year.)
- Line 10 – Line 5 minus line 9 (Total uses minus total sources) Shows amount of property taxes needed

6/1/2010

June 2010 Indiana Department of Local Government Finance

27

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## Budget Form 4-b

- Line 11 – Operating balance
- Line 12 – Sum of lines 10 and 11
- Line 13 – CAGIT and LOIT counties only (13a is CAGIT PTRC. 13b is LOIT levy freeze)
- Line 14 – Line 12 minus line 13 (property tax levy minus levy replacement from CAGIT or LOIT)

6/1/2010
June 2010 Indiana Department of Local Government Finance
28

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## Budget Form 4-b

- Line 15 – Levy Excess
  - Always leave blank
  - Levy excess are taxes collected that exceed the certified levy
  - The “excess” becomes a credit to apply to the ensuing years levy ( a temporary tax credit)
- Line 16 – Amount of property tax levy needed. This is the amount advertised on Form 3
- Line 17 – Tax rate per \$100 of net assessed value
  - Levy = Tax Rate X (Net AV/\$100)

6/1/2010
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29

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## Budget Form 5

- Budget Submission Letter and Certificate
  - This certifies the approval of all funds approved property tax levy and tax rates
  - The form is signed by the Board members according to how they voted on the budget

6/1/2010
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30

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## Non-binding Review

- All civil taxing units (except schools) are required to file with the county fiscal body a statement of the proposed or estimated tax rate, tax levy, and budget for the following year
- If the civil taxing unit is located in more than one county, the unit must file the proposed rate, levy, and budget with the county fiscal body where the greatest part of the civil taxing units net assessed valuation is located

6/1/2010

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Government Finance

31

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## Non-binding Review

- If the proposed budget has increased by the AVGQ or less, they must submit the budget to the county fiscal for a non-binding recommendation
- Must file at least forty-five (45) days before civil taxing unit adopts its budget
- The last date to file for the non-binding recommendation is September 17, 2010
- Failure to submit the budget will result in continuation of most recent annual appropriations and annual tax levy for the following year

6/1/2010

June 2010 Indiana Department of Local  
Government Finance

32

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## Non-binding Review Form

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6/1/2010

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33

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## Appointed Board Budget

- If the proposed budget is more than the increase in the AVGQ:
  - Not required to follow the non-binding review process
  - However, must submit budget to city/town fiscal body, township board, or county council (appropriate fiscal body) for final adoption of budget, rate, and levy
  - Must submit budget 30 days before required fiscal body adoption
  - Last day to submit is October 1, 2010
  - Failure to submit results in the continuation of most recent annual appropriations and annual tax levy for the following year

6/1/2010

June 2010 Indiana Department of Local  
Government Finance

34

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## Deadline for Fiscal Body

- Fiscal body must complete the following at least fifteen (15) days before unit is to fix rate and levy and adopt budget
  - 1. Review any proposed or estimated tax rate, levy or proposed budget filed by a civil taxing unit; and
  - 2. Issue a non-binding recommendation to a civil taxing unit regarding the civil taxing units' proposed tax rate, tax levy, and proposed budget
- Last date for fiscal body to complete its review and issue non-binding recommendation is October 17, 2010

6/1/2010

June 2010 Indiana Department of Local  
Government Finance

35

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## Fiscal Body Recommendation

- Recommendation must include:
  - A comparison of any increase in the civil taxing units budget or tax levy to:
    - 1. the average increase in Indiana and the county's nonfarm personal income for the preceding 6 years
    - 2. increases in the budgets and tax levies of other civil taxing units in the county
  - DLGF must provide each fiscal body with the most recent available information concerning increases in Indiana nonfarm personal income and increases in the county nonfarm personal income

6/1/2010

June 2010 Indiana Department of Local  
Government Finance

36

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## Circuit Breaker Credit

- Credit is applied to a taxpayer's property tax liability attributable to his or her homestead
- Credit is applied to taxpayer's property tax liability that exceeds 1%, 2%, and 3% of GAV
- Circuit Breaker Credit = The amount of property taxes that taxpayers do not have to pay and is the same amount that governments will not receive in tax distributions

6/1/2010

June 2010 Indiana Department of Local  
Government Finance

37

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## Circuit Breaker Credit

- County auditor shall notify each political subdivision in which the credit is applied
- Political subdivision may not increase its property tax levy to make up the reduction
- Political subdivision may not borrow money to compensate for the reduction of property tax distributions due to circuit breaker credit
- The higher the property tax rates, the greater the impact of the circuit breaker credit

6/1/2010

June 2010 Indiana Department of Local  
Government Finance

38

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## Circuit Breaker Credit and Debt Service Funds

- Debt obligations must be met regardless of circuit breaker credit
- Circuit breaker credit will first affect the debt fund operating balance
- After the operating balance is exhausted, unit needs to appropriate funds from another source, i.e., Rainy Day Fund, or Operating Fund to meet debt obligations

6/1/2010

June 2010 Indiana Department of Local  
Government Finance

39

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## Maximum Levy

- Maximum levy limitations control the amount of property tax levied by placing limits on the tax increases
- Levy growth is limited to the amount levied in the previous year plus a growth quotient
- If levies are certified below the maximum, ½ of the difference will be lost
- Upon request, if the unit was reducing its previous years cash balance, the DLGF may make an adjustment to the maximum levy

6/1/2010

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40

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## Capital Projects Fund

- A few years ago the General Assembly combined the property tax levies of the Operating Fund and Capital Projects Fund for purposes of calculating the Library maximum levy
- There is no incentive for a Library to create a new CPF
- There is very little incentive for a Library to continue with the CPF Plan
- Several Libraries are discontinuing their Plans

6/1/2010

June 2010 Indiana Department of Local Government Finance

41

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## Capital Projects Fund

- Procedure to discontinue CPF:
  - Do not prepare a new Plan for 2011
  - The existing fund must remain in place until the end of the year in order to receive the final property tax settlement
  - Both revenues and expense may be posted until year-end
  - After final tax distribution, the fiscal body may adopt an ordinance to close the fund and transfer the remaining fund balances to either the Operating Fund or Rainy Day Fund or both.
  - Combine the previous levy for the Operating Fund and CPF into the Operating Fund levy for 2011
  - Combine the budgets for each fund into the Operating Fund

6/1/2010

June 2010 Indiana Department of Local Government Finance

42

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## Capital Projects Fund

- Procedure to Discontinued CPF:
  - Remember to include the previous appropriations in the Capital Project Fund in the Operating Fund for the following year
  - Remember to add the Capital Project Fund Levy to the Operating Fund levy
  - Remember to include the combined funds in the Budget advertisement
  - Advise the fiscal body of the combined funds so they are not surprised by the percent increase when doing the non-binding recommendation
  - Libraries that prefer to continue spending from the CPF will need to continue to update the plan annually.

6/1/2010

June 2010 Indiana Department of Local Government Finance

43

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## 1782 Notice

- The 1782 Notice is the last communication you may have with the DLGF before the Budget Order is certified
- This Notice is your opportunity to review the work of the DLGF and request changes or possible corrections to rates, levies, budgets, and operating balances
- Units have 10 days to respond
- No response is the same as no objection
- 1782 Notice will include a 16 line statement for each budgeted fund

6/1/2010

June 2010 Indiana Department of Local Government Finance

44

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## Budget Order

- The Budget Order is the certification of budgets, tax rates and tax levies for each budgeted fund in the county. It provides the county auditor and treasurer with the property tax rates to charge for each taxing district.
- The DLGF is required by statute to issue the Budget Order by February 15 of each year. Budget Orders were delayed several years due to unusually late receipt of assessed values.

6/1/2010

June 2010 Indiana Department of Local Government Finance

45

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## New Legislation

- HEA 1059 – Provisional tax bills are equal to 50% of tax liability of previous year, subject to adjustments authorized by DLGF
- HEA 1086 – Reassessment begins July 1, 2010
  - Deadline to adopt, rescind, increase or decrease LOIT rate is now Nov. 1
  - Libraries with appointed boards that have more than 50% of parcels of real property located outside of the city or town shall submit budget to the county fiscal body for review (IC 6-1.1-17-20)

6/1/2010

June 2010 Indiana Department of Local  
Government Finance

46

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## New Legislation

- HEA 1086 section 29 (Effective upon passage):
- “However, in the case of a public library that is subject to this section and is described in subdivision (2), the public library shall submit its proposed budget and property tax levy to the county fiscal body in the manner provided in subsection (d), rather than
- to the city or town fiscal body, if more than fifty percent (50%) of the parcels of real property within the jurisdiction of the public library are located outside the city or town.”

6/1/2010

June 2010 Indiana Department of Local  
Government Finance

47

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## New Legislation

- HEA 1086 – Dissolution of a library district is initiated when the legislative body of each municipality, township, or county that is part of the district adopt identical resolutions proposing to dissolve the district. IC 36-12-2-26
- Budget adoption deadline remains November 1
- Units may request adjustment to maximum levy if last year was below max and lost  $\frac{1}{2}$  by using fund balances

6/1/2010

June 2010 Indiana Department of Local  
Government Finance

48

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## Excess Welfare Distribution Reminder

- Excess Welfare Distribution (Carryover balances from 2009): they must be appropriated from the Public Safety Fund. Use same additional appropriation procedure as any tax supported fund.
- Appropriate uses include: security systems, alarms, doors, fencing, fire suppression sprinkler systems, security lighting, snow removal

6/1/2010

June 2010 Indiana Department of Local  
Government Finance

49

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## For More Information

- Karen Large, Director, Budget Division  
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- Dan Jones, Assistant Director, Budget Div.  
– (317)232-0651 email: [djones@dlgf.in.gov](mailto:djones@dlgf.in.gov)
- Linda Lessaris, Field Supervisor, Budget Div.  
– (317) 233-9239 email: [llessaris@dlgf.in.gov](mailto:llessaris@dlgf.in.gov)
- Contact the DLGF  
– 317.232.3777 to contact field representatives  
– “Contact Us”: [www.in.gov/dlgf/2338.htm](http://www.in.gov/dlgf/2338.htm)

6/1/2010

June 2010 Indiana Department of Local  
Government Finance

50

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